

**REPORT OF THE AUDIT OF THE
FULTON COUNTY
CLERK**

**For The Year Ended
December 31, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
FULTON COUNTY CLERK

For The Year Ended
December 31, 2004

The Auditor of Public Accounts has completed the Fulton County Clerk's audit for the year ended December 31, 2004. We have issued a qualified opinion on the financial statement taken as a whole. The County Clerk did not provide us with a signed representation letter as required by auditing standards generally accepted in the United States of America.

Financial Condition:

There were no excess fees earned for the year ended December 31, 2004. The County Clerk had a deficit of \$18,644 and undeposited receipts of \$9,533. The Office of the Attorney General is conducting an investigation of these findings.

Report Comments:

- The County Clerk Should Not Have A Deficit of \$18,644 In Her Official Fee Account As Of December 31, 2004
- The County Clerk Should Not Have Undeposited Receipts Of \$9,533 In Her Official Fee Account
- The County Clerk Expended \$8,429 More To Operate The County Clerk's Office Than Income Earned By The Office
- The County Clerk Should Remit \$17,111 To Government Agencies
- The County Clerk Should Expend Public Funds For Allowable Expenses Of The County Clerk's Office
- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk Should Present An Annual Settlement To The Fiscal Court By March 15
- The County Clerk Should Publish An Annual Fee Settlement
- The County Clerk Should Submit Quarterly Financial Reports To The Governor's Office For Local Development
- The County Clerk Should Have Received One-Twelfth (1/12) Of Her Maximum Annual Salary Per Month
- The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities.

Subsequent Events:

There were undeposited receipts of \$3,060 in the County Clerk's office from January 1, 2005 through March 10, 2005 based on a comparison of the daily cash checkout sheets to bank deposits. The Office of the Attorney General is conducting an investigation of this finding.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT.....	1
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS	3
NOTES TO FINANCIAL STATEMENT	6
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS	8
COMMENTS AND RECOMMENDATIONS.....	13
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	21



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Garrison, Fulton County Judge/Executive
Honorable Lesia LaRue, Fulton County Clerk
Members of the Fulton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Fulton County, Kentucky, for the year ended December 31, 2004. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The County Clerk did not provide us with a representation letter as required by auditing standards generally accepted in the United States of America.

In our opinion, except for the effects of any matters that might have been disclosed if we had been provided a representation letter, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2004, in conformity with the regulatory basis of accounting.

The schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures applied in the audit of the financial statement and, in our opinion, except for the effects of any matters that might have been disclosed if we had been provided a representation letter, is fairly stated in all material respects in relation to the financial statement taken as a whole.



The Honorable Harold Garrison, Fulton County Judge/Executive
Honorable Lesia LaRue, Fulton County Clerk
Members of the Fulton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated April 12, 2005, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- The County Clerk Should Not Have A Deficit of \$18,644 In Her Official Fee Account As Of December 31, 2004
- The County Clerk Should Not Have Undeposited Receipts Of \$9,533 In Her Official Fee Account
- The County Clerk Expended \$8,429 More To Operate The County Clerk's Office Than Income Earned By The Office
- The County Clerk Should Remit \$17,111 To Government Agencies
- The County Clerk Should Expend Public Funds For Allowable Expenses Of The County Clerk's Office
- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk Should Present An Annual Settlement To The Fiscal Court By March 15
- The County Clerk Should Publish An Annual Fee Settlement
- The County Clerk Should Submit Quarterly Financial Reports To The Governor's Office For Local Development
- The County Clerk Should Have Received One-Twelfth (1/12) Of Her Maximum Annual Salary Per Month
- The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Fulton County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 12, 2005

FULTON COUNTY
 LESIA LARUE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2004

Revenues

State Fees For Services	\$	3,673
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Fiscal Court		6,331
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	142,615
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Usage Tax		454,856
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Tangible Personal Property Tax		387,564
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Other-

Fish and Game		6,498
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Marriage		3,243
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Occupational		760
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Deed Transfer Tax		7,249
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Delinquent Tax	40,594	1,043,379
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	6,204
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Real Estate Mortgages		9,130
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Chattel Mortgages and Financing Statements		23,268
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All Other Recordings		5,992
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Charges for Other Services-

Candidate Filing Fees	1,050	45,644
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Other:

Miscellaneous		155
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Interest Earned		168
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Total Revenues	\$	1,099,350
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The accompanying notes are an integral part of this financial statement.

FULTON COUNTY
 LESIA LARUE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 111,813
Usage Tax	441,211
Tangible Personal Property Tax	116,723

Licenses, Taxes, and Fees-

Fish and Game	6,408
Delinquent Tax	4,246
Legal Process Tax	6,654
Candidate Filing Fees	510
	<u>\$ 687,565</u>

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 32,787	
Delinquent Tax	4,475	
Deed Transfer Tax	7,262	
Occupational Licenses	425	44,949
	<u></u>	

Payments to Other Districts:

Tangible Personal Property Tax	\$ 206,582	
Delinquent Tax	19,194	225,776
	<u></u>	

Payments to Sheriff

698

Payments to County Attorney

7,711

Operating Expenditures:

Personnel Services-

Deputies' Salaries	\$ 45,950
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Materials and Supplies-

Office Supplies	1,612
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Other Charges-

Conventions and Travel	2,664
Phone	663
Postage	1,948
Maintenance Agreement	481
Refunds	6,145
Miscellaneous	1,282
	<u>\$ 60,745</u>

\$ 1,027,444

The accompanying notes are an integral part of this financial statement.

FULTON COUNTY
 LESIA LARUE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2004
 (Continued)

Expenditures (Continued)

Funds Due Others:

Payroll Withholding Due Fiscal Court	\$	408	
Tangible Personal Property Tax Due Districts		15,929	
Delinquent Tax Due Districts		727	\$ 17,064

Total Expenditures \$ 1,044,508

Less: Disallowed Expenditures

Contract Labor Paid Without Proper Support	\$	550	
Bank Service Charges		60	
Finance Charges		32	\$ 642

Total Allowable Expenditures \$ 1,043,866

Net Revenues \$ 55,484

Less:

Statutory Maximum	\$	60,313	
Expense Allowance		3,600	63,913

Excess of Allowable Expenditures Over Revenues \$ (8,429)

FULTON COUNTY
LESIA LARUE, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT

December 31, 2004

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31, that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2004 services
- Reimbursements for 2004 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2004

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FULTON COUNTY
LESIA LARUE, COUNTY CLERK
NOTES TO FINANCIAL STATEMENT
December 31, 2004
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent for the first six months and 8.48 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2004, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the County Clerk's agent in the County Clerk's name.

FULTON COUNTY
 LESIA LARUE, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS

December 31, 2004

Assets

Cash in Bank		\$	9,332
Deposits in Transit			12,674
Receivables:			
Uncollected Returned Checks	\$	520	
Bank Service Charges		66	586
			<hr/>
Total Assets			22,592

Liabilities

Paid Obligations-			
Outstanding Checks	\$	5,755	
Obligations Paid After December 31, 2004		16,309	
		<hr/>	
Total Paid Obligations			\$ 22,064

Unpaid Obligations:

 Due To Government Agencies:

 Fulton County Treasurer:

Payroll Withholdings	\$	408	
Excess Fees - 2003		47	\$ 455
		<hr/>	

 Fulton County School Board:

December 2004 Property Tax		7,365	
December 2004 Delinquent Tax		327	
Additional 2004 Delinquent Tax		30	7,722
		<hr/>	

 Independent School Board:

December 2004 Property Tax		4,045	
December 2004 Delinquent Tax		164	4,209
		<hr/>	

 Library District:

December 2004 Property Tax		607	
December 2004 Delinquent Tax		58	665
		<hr/>	

 Health District:

December 2004 Property Tax		737	
December 2004 Delinquent Tax		41	778
		<hr/>	

 Extension District:

December 2004 Property Tax		558	
December 2004 Delinquent Tax		46	604
		<hr/>	

 Mental Health District:

December 2004 Property Tax		240	
December 2004 Delinquent Tax		14	254
		<hr/>	

FULTON COUNTY
LESIA LARUE, COUNTY CLERK
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS - REGULATORY BASIS
December 31, 2004
(Continued)

Liabilities (Continued)

Unpaid Obligations: (Continued)

Due To Government Agencies: (Continued)

City of Fulton:

December 2004 Property Tax \$ 1,430

City of Hickman:

December 2004 Property Tax 789

Hickman Fire District:

December 2004 Property Tax 159

Soil Conservation District:

December 2004 Delinquent Tax 21

Fulton County Sheriff:

December 2004 Delinquent Tax 25

Total Due To Government Agencies \$ 17,111

Net Amount Due County Clerk's 2005 Fee Account 2,061

Total Unpaid Obligations \$ 19,172

Total Liabilities \$ 41,236

Total Deficit as of December 31, 2004 \$ (18,644)

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COMMENTS AND RECOMMENDATIONS

FULTON COUNTY
LESIA LARUE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2004

STATE LAWS AND REGULATIONS:

- 1) The County Clerk Should Not Have A Deficit of \$18,644 In Her Official Fee Account As Of December 31, 2004
-

The County Clerk is responsible for a deficit of \$18,644 in her official bank account as of December 31, 2004. This deficit results from \$9,533 of undeposited receipts, \$642 of disallowed expenditures, \$8,429 of expenditures that exceeded the income of the office, and a prior year deficit of \$40. The disallowed expenditures consisted of \$550 in contract labor that had no supporting documentation, \$32 of finance charges for late payments and \$60 of bank charges for insufficient funds for a total of \$642.

We recommend that the County Clerk eliminate the \$18,644 deficit with a deposit of personal funds. The Office of the Attorney General is conducting an investigation of this matter.

County Clerk's Response: None.

- 2) The County Clerk Should Not Have Undeposited Receipts Of \$9,533 In Her Official Fee Account
-

KRS 522.050 states:

- (1) A public servant who is entrusted with public money or property by reason of holding public office or employment, exercising the functions of a public officer or employee, or participating in performing a governmental function, is guilty of abuse of public trust when:
 - (a) He or she obtains public money or property subject to a known legal obligation to make specified payment or other disposition, whether from the public money or property or its proceeds; and
 - (b) He or she intentionally deals with the public money or property as his or her own and fails to make the required payment or disposition.
- (2) A public servant is presumed:
 - (a) To know any legal obligation relative to his or her criminal liability under this section; and
 - (b) To have dealt with the public money or property as his or her own when:
 - 1. He or she fails to account upon lawful demand; or
 - 2. An audit reveals a shortage or falsification of accounts.

The County Clerk had undeposited receipts or a shortage of \$9,533 in her 2004 bank account. Daily cash checkout sheets noted accounts receivable that were due from vehicle dealers totaling \$7,070. These entries were false and accounts receivable stated on the daily cash checkout sheets did not exist.

FULTON COUNTY
 LESIA LARUE, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2004
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

2) The County Clerk Should Not Have Undeposited Receipts Of \$9,533 In Her Official Fee Account (Continued)

There was an additional shortage of \$3,060 from January 1, 2005 through March 10, 2005 for 2005 business, based on the available records. The total shortage from January 1, 2004 through March 10, 2005 was \$12,593. The Office of the Attorney General is conducting an investigation of this matter.

County Clerk's Response: None.

3) The County Clerk Expended \$8,429 More To Operate County Clerk's Office Than The Income Earned By The Office

The County Clerk's office had total revenues of \$1,099,350 and allowable expenditures of \$1,107,779 including the County Clerk's maximum annual salary and expense allowance. Therefore, the county clerk spent more than the office earned by \$8,429. The County Clerk received her salary and expense allowance of \$63,913 for 2004. We recommend that the County Clerk only expend available revenues.

County Clerk's Response: None.

4) The County Clerk Should Remit \$17,111 To Government Agencies

The proper disposition of fees collected by the County Clerk for delinquent and tangible tax collections, requires that these funds be distributed to the appropriate government agencies. These government agencies rely on these funds to provide services, and services could suffer if these funds are not received timely. The following government agencies are due the amounts noted below.

<u>Government Agency</u>	<u>Amount</u>	<u>Government Agency</u>	<u>Amount</u>
Fulton County Fiscal Court	\$ 455	Mental Health District	\$ 254
Fulton County School Board	7,722	City of Fulton	1,430
Independent School Board	4,209	City of Hickman	789
Library District	665	Hickman Fire District	159
Health District	778	Soil Conservation District	21
Extension District	604	Fulton County Sheriff	25

We recommend that the County Clerk remit these funds to the government agencies.

County Clerk's Response: None.

FULTON COUNTY
LESIA LARUE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2004
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

5) The County Clerk Should Expend Public Funds For Allowable Expenses Of The County Clerk's Office

Funk v. Milliken 317 S. W. 2d 499 (Ky. 1958); the Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public and not for personal use. The disallowed expenditures consisted of \$550 in contract labor that had no supporting documentation, \$32 of finance charges for late payments, and \$60 of bank charges for insufficient funds. The total disallowed expenditures for calendar year 2004 was \$642. We recommend that the County Clerk expend public funds as described in Funk v. Milliken.

County Clerk's Response: None.

6) The County Clerk Should Deposit Funds Intact On A Daily Basis

Technical Audit Bulletin 93-002 states, "that a county official is in violation of KRS 64.850, Commingling of Public Funds, if more than \$200 of public funds are accumulated and/or retained and not deposited into an official bank account intact on a daily basis." There were undeposited receipts of \$9,533 in the County Clerk's fee account and bank deposits were made, on average, seven days late. We recommend that funds be deposited on a daily basis. The Office of the Attorney General is conducting an investigation of this matter.

County Clerk's Response: None.

7) The County Clerk Should Present An Annual Settlement To The Fiscal Court By March 15

KRS 64.152 requires the County Clerk to provide an annual settlement and pay any excess fees due to the Fiscal Court by March 15 subsequent to the close of the county clerk's fiscal year (i.e. December 31, 2004). The county clerk did not present an annual settlement to the Fiscal Court for year ending December 31, 2004. In addition, the County Clerk did not present an annual settlement to the Fiscal Court for calendar year 2003, which revealed excess fees of \$47 being due to the fiscal court. We recommend that the County Clerk present an annual settlement to Fiscal Court as required by KRS 64.152.

County Clerk's Response: None.

8) The County Clerk Should Publish An Annual Fee Settlement

KRS 424.220 requires the County Clerk to have her annual fee settlement published, within sixty (60) days after the close of the County Clerk's fiscal year (i.e., December 31, 2004). The County Clerk did not publish her annual fee settlement for calendar year 2003 or 2004. We recommend the County Clerk publish her annual fee settlement pursuant to KRS Chapter 424.220.

County Clerk's Response: None.

FULTON COUNTY
 LESIA LARUE, COUNTY CLERK
 COMMENTS AND RECOMMENDATIONS
 For The Year Ended December 31, 2004
 (Continued)

STATE LAWS AND REGULATIONS: (Continued)

9) The County Clerk Should Submit Quarterly Financial Reports To The Governor's Office For Local Development

KRS 68.210 states that the County Clerk is required to submit financial reports to the Governor's Office for Local Development (GOLD) on a quarterly basis, due 30 days from the end of each quarter. GOLD has not received any financial reports since June 30, 2003. The County Clerk did not submit any of these reports to us for our review for calendar year 2004. We recommend that the County Clerk submit financial reports to GOLD as required by KRS 68.210.

County Clerk's Response: None.

10) The County Clerk Should Have Received One-Twelfth (1/12) Of Her Maximum Annual Salary Per Month

KRS 64.535 states that the County Clerk shall receive a monthly salary of one-twelfth (1/12) of the amount set by KRS 64.5275. According to KRS 64.5275, the Fulton County Clerk's maximum salary for 2004 was \$60,313, or \$5,026 per month. The County Clerk received sporadic salary payments throughout the year and had received her total salary by November 30, 2004. Additionally, the County Clerk's 2004 W-2 form was understated by \$1,160 for 2004. We recommend that monthly salary payments be made in accordance with KRS 64.535 and a corrected W-2 form be issued.

County Clerk's Response: None.

INTERNAL CONTROL:

6) The County Clerk Should Deposit Funds Intact On A Daily Basis (See Full Comment Above)

11) The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office has a lack of segregation of duties. Due to the entity's diversity of official operations, small size and budget restrictions the official has limited options for establishing an adequate segregation of duties. We recommend that the following compensating controls be implemented to offset this internal control weakness:

- A deputy clerk should periodically compare the daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger prepared by the County Clerk. Any differences should be reconciled. This procedure could be documented by initialing the bank deposit, daily checkout sheet, and receipts ledger.
- A deputy clerk should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. A deputy clerk should also compare the salaries listed on the quarterly report to the individual earning records. Any differences should be reconciled. This procedure could be documented by initialing the quarterly financial report.

FULTON COUNTY
LESIA LARUE, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2004
(Continued)

INTERNAL CONTROL: (Continued)

- A deputy clerk should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. This procedure could be documented by initialing the bank reconciliation and the balance in the checkbook.
- Deputies should be cross-trained in order for the daily operations of the County Clerk's Office to proceed without delay in County Clerk's absence.

County Clerk's Response: None.

PRIOR YEAR:

There were no comments in the prior year audit report.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold Garrison, Fulton County Judge/Executive
Honorable Lesia LaRue, Fulton County Clerk
Members of the Fulton County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Fulton County Clerk for the year ended December 31, 2004, and have issued our report thereon dated April 12, 2005. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. The opinion was qualified because the County Clerk did not provide us with a representation letter as required by auditing standards generally accepted in the United States of America. Except as discussed in the prior sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fulton County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk's Office Lacks Adequate Segregation Of Duties

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are material weaknesses.



Report On Internal Control Over Financial Reporting
And On Compliance And Other matters Based On An Audit
Of The Financial Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Fulton County Clerk's financial statement for the year ended December 31, 2004, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The County Clerk Should Not Have A Deficit of \$18,644 In Her Official Fee Account As Of December 31, 2004
- The County Clerk Should Not Have Undeposited Receipts Of \$9,533 In Her Official Fee Account
- The County Clerk Expended \$8,429 More To Operate County Clerk's Office Than The Income Earned By The Office
- The County Clerk Should Remit \$17,111 To Government Agencies
- The County Clerk Should Expend Public Funds For Allowable Expenses Of The County Clerk's Office
- The County Clerk Should Deposit Funds Intact On A Daily Basis
- The County Clerk Should Present An Annual Settlement To The Fiscal Court By March 15
- The County Clerk Should Publish An Annual Fee Settlement
- The County Clerk Should Submit Quarterly Financial Reports To The Governor's Office For Local Development
- The County Clerk Should Have Received One-Twelfth (1/12) Of Her Maximum Annual Salary Per Month

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
April 12, 2005

